

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
State: MICHIGAN

The State has in place a public process which complies with the requirement of Section 1902(a)(13)(A) of the Social Security Act.

TN NO. 97-22 Approval Date MAY 04 1999 Effective Date 10-01-97

Supersedes

TN No. ~~N/A~~ 95-04 *RAH*

OFFICIAL

Attachment 4.19-D
Section I Page 1

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT State of Michigan

POLICY AND METHODS FOR ESTABLISHING PAYMENT RATES (LONG TERM CARE FACILITIES)

I. Cost Finding, Cost Reporting, and Records Maintenance

The specific methods of cost finding and cost reporting utilized by the single state agency are defined in the state agency's cost reporting forms and instructions. Providers shall be notified of the cost reporting form or format and acceptable cost finding methods, and notified promptly of change.

- A. Beginning with cost reporting periods ending after September 1, 1973, all participating nursing facility providers are required to submit to the state agency an annual cost report within 90 days of the close of the provider's cost reporting period. If the provider fails to submit the cost report on time and has not received an extension of the deadline, a notice of delinquency will be issued. If the cost report is not submitted within 30 days of the notice of delinquency, a second notice of delinquency will be issued. If the cost report is not submitted within 30 days of a second notice of delinquency, the provider's interim payment will be reduced by 100 percent. Restitution of withheld interim payments will be made by the state agency after receipt of an acceptable cost report. (Exception: A provider's cost report is due 45 days after a sale of a facility or termination of the provider agreement.)
- B. All cost reports must be submitted on the state agency's uniform reporting form or an approved replica thereof, covering a 12-month cost reporting period. Any changes in reporting periods or exceptions to the number of months covered must be approved by the state agency.
- C. Each provider's cost report must include an itemized list of all expenses as recorded in the formal and permanent accounting records of the provider.
- D. The accrual method of accounting is mandated for nongovernmental providers, and generally accepted accounting principles must be followed by providers of care under the plan. Where governmental institutions operate on a cash basis of accounting, cost data reported on a cash basis will be accepted subject to generally accepted principles of accounting for treatment of capital expenditures.

RECEIVED
JAN 06 1992
HCFA-V-DMCD-MOB

HCFA-179 # 90-34 Date Rec'd 12/28/90
Supercodes 87-9 Date Appr. 3-27-92
State Rep. In 99 Date Eff. 10/1/90

Revised 10/1/90

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
State of Michigan

POLICY AND METHODS FOR ESTABLISHING PAYMENT RATES
(LONG TERM CARE FACILITIES)

- E. Each provider must maintain sufficient financial records and statistical data for proper determination of costs as allowable, in accordance with Section III of this plan. This may include pertinent records required by the Medicare Principles of Reimbursement in 42 CFR, 413.20 and 42 CFR 413.24.
- F. All of the provider's accounting and related records, including the general ledger and books of original entry and statistical data, are regarded as permanent records and must be maintained for a period of not less than seven years.
- G. All cost reports are retained by the state agency for not less than three years following the date of submission by the provider.
- H. Nonallowable expenses are excluded from the total operating expenses in accordance with procedures identified on the reporting form and defined in Section III of this plan.
- I. Related organizations and costs to related organizations (as defined in 42 CFR 413.17) shall be disclosed by the provider in the cost report.
- 6/10/93 | J. Cost related to intergovernmental transfers Class III nursing facilities owned by local governments and any related transaction management fees associated with the intergovernmental transfer will be recognized outside of the cost reporting process.

TN No. 93-15 Approval Date 5-20-94 Effective Date 06/10/93

Supersedes

TN No. 90-34

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
State of Michigan

POLICY AND METHODS FOR ESTABLISHING PAYMENT RATES
(LONG TERM CARE FACILITIES)

II. Auditing and Availability of Records

- A. Each cost report submitted is verified for completeness, accuracy, reasonableness, and consistency through a desk audit and/or a computer check. It is expected that on-site audits will be conducted no less than once every four years.
- B. Each provider must allow access, during on-site audits and/or reviews by the state agency auditors and representatives of the United States Department of Health and Human Services, to requisite financial records and statistical data specified in Section I of this plan. This access will include:
 - 1. The complete records of related organizations.
 - 2. The records of lessors to determine underlying capital and operating costs of providers leasing facilities (per Section III.H).
 - 3. Any records required by the Medicare Principles of Reimbursement referenced in HIM-15, Chapter 24.
- C. If, upon audit or review, it is determined that a cost report contains incorrect data, the state agency shall use the corrected data to compute future rates but will not retroactively change a previously applied rate unless fraud is suspected or the provider failed to disclose required fiscal information. In cases of suspected fraud or failure to disclose required fiscal information, the state agency may retroactively adjust rates.

NO. 90-34 Date Rec'd 12/28/90
Supervisor 87-9 Date Rec'd 3-27-92
Reviewed by JY Date Rec'd 10/1/90

Revised 10/1/90

OFFICE

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
State of Michigan

POLICY AND METHODS FOR ESTABLISHING PAYMENT RATES
(LONG TERM CARE FACILITIES)

III. Allowable Cost Identification

Allowable costs are those costs related to patient care as permitted by the Medicare Principles of Reimbursement in 42 CFR, Chapter IV, Subchapter B, Part 413 regulatory sections as (regularly) amended, with any additional exceptions or Medicaid provisions included. Where the single state agency has incorporated a Medicare Principle of Reimbursement, HIM-15, interpretations will be used with any additional provisions included. Section IV, "Payment Determination," of this plan specifies the allowable costs to be used as a cost basis for calculating prospective rates.

01/01/93

A. Allowable costs will include the costs of meeting all certification standards for nursing care provider requirements as required by the state agency, by state law, or by federal legislation or regulation.

01/01/93

B. Allowable costs include, but are not limited to, all items of expense which providers incur in the provision of routine services, such as: regular room; dietary; nursing services; minor medical and surgical supplies; administration of oxygen; hand feeding; incontinency care; tray service; enemas; patient gowns; water pitchers; basin; bed pans; bed rails; ice bags; canes; crutches; walkers; wheelchairs; traction equipment; and other durable medical equipment for multipatient use, special dietary services (including tube or oral feeding, special diets), laundry services, social services, patient activity services, transportation for medical and/or dental services, and physician services of medical staff functioning in an administrative capacity. Socially acceptable personal clothing (Section IV.N) may be an allowable cost in Class IV Intermediate Care Facilities for the Mentally Retarded only. Excluded are personal physician fees, prescribed legend drugs, and ancillary services (except as required in Section IV.G), and the costs of total parenteral nutrition solutions and related supplies and equipment.

01/01/93

C. The occupancy that will be used in per patient day cost determinations, for all but Class II facilities, is the greater of the paid occupancy including paid held-bed days or 85 percent of (certified) bed days available during the cost reporting period for which cost information is reported, including new facilities. For facilities that voluntarily remove beds from service, through formal notification to and after obtaining approval for the temporary removal of beds from the Michigan Department of Public Health, occupancy percentages will be computed as a percent of bed days available in the cost period. Owner administrator compensation limits will be applied based on the reduced bed count. Payment determinations for Class II facilities will be based on actual occupancy.

D. Title XIX per patient day cost, for a designated cost component, is the total inpatient cost for that cost component, divided by total inpatient days, as determined from the provider's Medicaid cost report.

E. The Michigan Single Business Tax is an allowable expense.

TN No. 93-204 Approval Date 9/29/93 Effective Date 01-01-93

Supersedes

TN No. 91-32

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
State of Michigan

POLICY AND METHODS FOR ESTABLISHING PAYMENT RATES
(LONG TERM CARE FACILITIES)

2. All other facilities will have interest expense determined in accordance with current Medicare Principles of Reimbursement, including the provisions at 42 CFR 413.153 and section 1861(v)(1)(O) of Title XVIII of the Social Security Act.
- H. Allowable lease costs will be determined using principle 1 or 2 below:
1. A provider who entered into a bona fide, arms-length lease prior to September 1, 1973, where the lessor refused to open his books, will be allowed an actual lease cost up to a maximum of \$2.50 per patient day. This limit was developed from the average lease rental cost for facilities leased prior to September 1, 1973, at which time the current method of calculation was effected. The pre-September 1, 1973, lessee has the right of appeal for bona fide, arms-length lease agreements which exceed the \$2.50 limit.
 2. Providers who enter into or amend a bona fide arms-length lease agreement after August 31, 1973, will be reimbursed a plant cost component determined in accordance with sections IV. A. or B. as applicable to an owner-provider, if the lessee discloses the allowable cost information required or rate setting as outlined in section IV.A.3. Without full disclosure, lease expense will not be an allowable cost. The only exceptions to this disclosure rule shall be for lease expenses for photocopiers, postage meters and telephone systems determined as allowable costs in accordance with 42 CFR 413.9.
- I. Bad debts, charity, and courtesy allowances as defined in 42 CFR 413.80 are not recognized as allowable costs.
- J. The cost of educational activities will be determined in accordance with 42 CFR 413.85, except the costs of educational activities outside the continental United States are not allowable.
- K. The cost of research activities will be determined in accordance with 42 CFR 413.90.
- L. The value of services of nonpaid workers will be treated in accordance with 42 CFR 413.94.
- M. Purchase discounts and allowances, and refunds of expenses will be treated in accordance with 42 CFR 413.98.

90-34 Date Rec'd 12/28/90
87-9 3-27-92
28 10/1/90

Revised 10/1/90

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
State of Michigan

POLICY AND METHODS FOR ESTABLISHING PAYMENT RATES
(LONG TERM CARE FACILITIES)

N. The cost for compensation to owners shall be determined in accordance with 42 CFR 413.102, except that the allowable cost for compensation to owner/administrators will be determined as follows:

1. Facilities with 50 or more beds are required to maintain a full-time administrator (per section 21702 of Public Act 493 of 1978).
2. The owner/administrator's salary shall not exceed amounts derived from the following table, which varies according to facility bed size:

Salary Limits Table
Fiscal Years Ending December 31

	<u>1-49</u> <u>Beds</u>	<u>50-99</u> <u>Beds</u>	<u>100-149</u> <u>Beds</u>	<u>150+</u> <u>Beds</u>
1986	\$34,853	\$58,088	\$69,707	\$104,558
1987	\$35,906	\$59,842	\$71,811	\$107,716
1988	\$37,262	\$62,103	\$74,524	\$111,784
1989	\$39,276	\$65,409	\$78,492	\$117,736

3. Salary limitations are adjusted to reflect cost-of-living changes, as reflected by the Detroit Consumer Price Index, All Items For Urban Consumers. The owner/administrator's salary schedule covers only the position of administrator and assistants and does not include other owners' salaries employed in capacities other than the administration of the facility.
4. For the purposes of determining allowable cost, the above table is the maximum amount of compensation that may be paid to a full-time (per section 21702[2] of Public Act 368 of 1978) owner/administrator or the combined salary of the owner/administrator, and any assistant administrator(s), and/or administrative assistant(s).

HCFA-170 # 90-34 Date Rec'd 12/28/90
 Supersedes 87-9 Date Appr. 3-27-92
 Q-10 Reg. In. 208 Date Eff. 10/1/90

Revised 10/1/90

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
State of Michigan

POLICY AND METHODS FOR ESTABLISHING PAYMENT RATES
(LONG TERM CARE FACILITIES)

- O. The cost to related organizations will be determined in accordance with 42 CFR 413.17.
- P. Certain capital expenditures will be determined in accordance with 42 CFR 413.161.
- Q. Costs related to patient care will be determined as allowable costs or non allowable costs in accordance with 42 CFR 413.9.
- R. Providers shall be notified of changes to the Medicare Principles of Reimbursement as specifically amended by sections III.A. through III.Q. above.
- 6/10/93 | Q. Costs related to intergovernmental transfers by Class III nursing facilities owned by local governments and any related transaction management fees associated with the intergovernmental transfer are allowable under this plan. These costs will not be counted in determining the lesser of costs or charges for billing purposes.

TN No. 93-15 Approval Date 5-20-94 Effective Date 06/10/93

Supersedes

TN No. 90-34

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
State of Michigan

POLICY AND METHODS FOR ESTABLISHING PAYMENT RATES
(LONG-TERM-CARE FACILITIES)

IV. Payment Determination

For dates of service on or after June 1, 1981, providers of nursing care will be reimbursed under this plan on the basis of the lower of customary charge to the general public or a payment rate determined in accordance with this section of the State Plan. Aside from specific exceptions, prospective rates are set prior to the provider's rate-setting/cost reporting period and are fixed for that period. There are five classes of long term care facilities and one special type of patient for which there are separate reimbursement methods:

- Class I: This class includes proprietary and nonprofit nursing facilities, with payment rates determined in accordance with Sections IV.A. through IV.F.
- Class II: This class includes proprietary nursing facilities for the mentally ill or mentally retarded, with prospective payment rates negotiated with the Michigan Department of Mental Health, within individual facility ceilings based on occupancy. Payments will be retrospectively cost settled in accordance with Sections IV. B. through IV. G.
- Class III: This class includes the nonprofit nursing facilities that are county medical care facilities, hospital long term care units, or state owned nursing facilities with payment rates determined in accordance with Sections IV.B. through IV.F.
- Class IV: This class includes state owned and operated institutions and community mental health operated alternative intermediate service (AIS) facilities for the mentally retarded and certified as ICF/MR facilities. The class also includes nonprofit nursing facilities for the mentally retarded. Members of this class are reimbursed allowable costs determined in accordance with the Medicare Principles of Reimbursement (42 CFR, Chapter IV, Subchapter B, Part 413), including the exception listed in Section IV.N.
- Class V: This class includes facilities that are a distinct part of special long term care facilities for ventilator-dependent patients, with payment rates determined in accordance with Section IV.G. of this plan.

TN No. 93-004 Approval Date 9/29/93 Effective Date 01-01-93

Supersedes

TN No. 91-32

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
State of Michigan

POLICY AND METHODS FOR ESTABLISHING PAYMENT RATES
(LONG-TERM-CARE FACILITIES)

Special Long Term

Care Patients: If the single State agency has placed, in a nursing facility, a patient transferred from an acute care setting who requires specialized and concentrated nursing and support services, the provider shall have a negotiated payment rate determined in accordance with Section IV.H. of this plan.

- A. Plant Cost Component (for Class I and Class II facilities) Effective for cost reporting periods beginning on or after April 1, 1985, the prospectively established plant cost component for Class I and Class II facilities will be the sum of four components: the tax component, the interest expense component, the lease/rental component and the return on current asset value component.
1. The tax component will be determined as per patient day tax cost, where tax cost consists of most recent, audited real estate and personal property taxes identified as an allowable cost under the Medicare Principles of Reimbursement as modified in Section III.
 2. The interest expense component will be determined as per patient day interest expense, where all interest expense consists of most recent, audited interest expense and financing expense identified as an allowable cost as defined in Section III.G. above. Reimbursement for interest expense will not be based on any amount of borrowing which exceeds the lesser of the "current asset value" of that facility or the "current asset value upper limitation" (terms as defined in Section IV.A. 4. b. and c., respectively). Reimbursement for interest expense, subsequent to a sale or resale will be limited, as a result of the Title XIX Section 1902(a)(13)(B) limitation on increases in Medicaid Program reimbursement subsequent to sales, in accordance with Section IV.A.5.b. below.
 3. The lease/rental component will be a per patient day amount determined in accordance with Section III.H. to be paid only to those providers with leases meeting the conditions in that section. All leases must have an accounting for the underlying initial owner's historical acquisition cost, and interest and property tax expense to obtain plant cost reimbursement for these assets, except for the lease costs for photocopiers, postage meters and telephone systems which will be included in the lease/rental component.

HCFA-170 # 90-34 Date Rec'd 12/21/90
Supersedes 88-12 Date Appr. 3-27-92
Printed In 204 Date Eff. 10/1/90

Revised 10/1/90